

USAWC STRATEGY RESEARCH PROJECT

**OFFICER ATTRITION: IMPACT OF COMBAT DEPLOYMENTS AND  
COMPENSATION ON RETENTION**

by

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This SRP is submitted in partial fulfillment of the requirements of the Master of Strategic Studies Degree. The views expressed in this student academic research paper are those of the author and do not reflect the official policy or position of the Department of the Army, Department of Defense, or the U.S. Government.

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## ABSTRACT

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At this moment our Army is at a crossroads. The steadily increasing operations tempo experienced by nine of our ten active divisions rotating through either Iraq or Afghanistan by the summer of 2004 serves as a dual edged sword. While much of the Army has risen to the call, served superbly and gained invaluable experience from sustained combat operations, the reality is continuous operations may eventually have a detrimental effect on officer retention. In his arrival message in August 2003 as the 35<sup>th</sup> Chief of Staff, Army (CSA), General Peter J. Schoomaker, stated, "The American Soldier remains indispensable. Our Soldiers are paramount and will remain the centerpiece of our thinking, our systems and our combat formations." The inference was clear...soldiers are the Army. How they are trained, equipped and cared for will remain a priority. Subsequently, at the Association of the United States Army (AUSA) 2003 annual meeting in October 2003, GEN Schoomaker went on to alert the Army that as a member of the joint team in the global war on terror (GWOT), the Army "should expect that sustained operations will be the norm, and not the exception." Indeed since the events of September 11, 2001 (9/11), and the on-set of combat operations in Afghanistan and Iraq, the Army has gained prominence as the Service of choice. As much of the Army has deployed to conduct combat, nation building and peace enforcement operations around the globe, soldiers have increasingly been separated from their families for extended periods, time and again. While the All-Volunteer Force that began in 1973 has served the Nation well, one might ask what the Army is doing to retain America's sons and daughters in the military in light of these repetitive, and dangerous deployments. The purpose of this paper is to: one, review the military studies regarding the impact of extended deployments on the All-Volunteer-Army since 9/11; two, discuss the relevance of military compensation on officer retention and the tools being used to shape and retain the force; three, highlight existing legislation that could aid retention efforts with the use of responsibility pay; and finally, four, address the strategic implications on officer retention of an over-extended Army if proactive measures are not taken to mitigate the adverse affects from a protracted war.



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## OFFICER ATTRITION: IMPACT OF COMBAT DEPLOYMENTS AND COMPENSATION ON RETENTION

The United States Army exists for one reason - to serve the Nation. From the earliest days of its creation, the Army has embodied and defended the American way of life and its constitutional system of government. It will continue to answer the call to fight and win our Nation's wars, whenever and wherever they may occur. That is the Army's non-negotiable contract with the American people.

— Field Manual 7-0 Training The Force

At this moment our Army is at a crossroads. The steadily increasing operations tempo experienced by nine of our ten active divisions rotating through either Iraq or Afghanistan by the summer of 2004 serves as a dual edged sword. While much of the Army has risen to the call, served superbly and gained invaluable experience from sustained combat operations, the reality is continuous operations may eventually have a detrimental effect on officer retention. In his arrival message in August 2003 as the 35<sup>th</sup> Chief of Staff, Army (CSA), General Peter J. Schoomaker, stated, "The American Soldier remains indispensable. Our Soldiers are paramount and will remain the centerpiece of our thinking, our systems and our combat formations."<sup>1</sup> The inference was clear...soldiers are the Army. How they are trained, equipped and cared for will remain a priority. Subsequently, at the Association of the United States Army (AUSA) 2003 annual meeting in October 2003, GEN Schoomaker went on to alert the Army that as a member of the joint team in the global war on terror (GWOT), the Army "should expect that sustained operations will be the norm, and not the exception."<sup>2</sup> Indeed since the events of September 11, 2001 (9/11), and the on-set of combat operations in Afghanistan and Iraq, the Army has gained prominence as the Service of choice. As much of the Army has deployed to conduct combat, nation building and peace enforcement operations around the globe, soldiers have increasingly been separated from their families for extended periods, time and again. While the All-Volunteer Force that began in 1973 has served the Nation well, one might ask what the Army is doing to retain America's sons and daughters in the military in light of these repetitive, and dangerous deployments. The purpose of this paper is to: one, review the military studies regarding the impact of extended deployments on the All-Volunteer-Army since 9/11; two, discuss the relevance of military compensation on officer retention and the tools being used to shape and retain the force; three, highlight existing legislation that could aid retention efforts with the use of responsibility pay; and finally, four, address the strategic implications on officer retention of an over-extended Army if proactive measures are not taken to mitigate the adverse affects from a protracted war.

The author will limit the discussion of this paper to the retention of Army competitive category (ACC) commissioned officers in the following pay grades: O1/O2 (LT or lieutenant), O3 (CPT or captain), O4 (MAJ or major), O5 (LTC or lieutenant colonel) and O6 (COL or colonel). The author further defines junior officers as lieutenants and captains with a service remaining obligation (typically officers with less than six years in service), mid-grade officers as captains and majors with six to fifteen years of service and senior officers as lieutenant colonels and colonels that are retirement eligible with 19 years or more of service. The term career attrition refers to the voluntary separation of any active duty officer after they have completed their active duty service obligation, but before they have completed 20 years of service for a normal retirement. The terms career attrition and officer attrition are used interchangeably throughout the paper.

### SETTING THE STAGE.

Since the inception of the All-Volunteer Force in 1973, “the system for managing military personnel has evolved from one shaped primarily by an unlimited supply of manpower provided by the draft to one where the military must compete with the private sector to staff the force.”<sup>3</sup>

To adequately man the existing and forecasted formations in the active component (AC), the Army uses an extensive set of mathematical equations - based largely on historical data - that factor in accession targets, training rates, attrition models, promotion requirements, retention factors and retirement rates. The Army AC Officer Lifecycle chart displayed on the right reflects the historical promotion

**Army AC Officer Lifecycle**  
**Given a starting population of 100 new Lieutenants**

- 99 will be promoted to 1LT
- 97 will be promoted to CPT
- 40 will be stay in and be promoted to MAJ
- 32 will be promoted to LTC
- 15 will be promoted to COL
- 0.3 will be promoted to GO

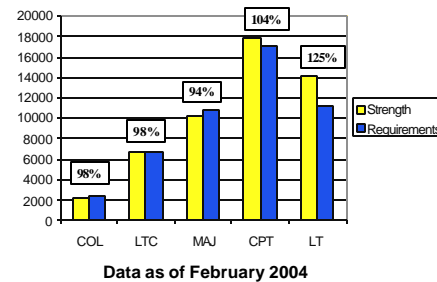
<u>Longevity</u>	<u>Career Progression</u>
~ 35 will stay for 20 yrs	~6 will be LTC CDRs
~7 will stay for 30 yrs	~3 will be COL CDRs

FIGURE 1

rate and predicted attrition pattern for 100 newly commissioned lieutenants.<sup>4</sup> What is significant in the chart is the 60 percent officer attrition prior to promotion to major. Most of that attrition occurs at two specific windows of opportunity: first, is at the four year point, or approximately seven months after these officers have been promoted to captain, and when most Reserve Officer Training Corps (ROTC) commissioned officers complete their initial active duty service obligation (ADSO); and the second is at the five year point when the military academy commissioned officers have completed their ADSO.

As a result of the unique requirements and responsibilities the Army maintains an essentially closed personnel system for the ACC officer where virtually all personnel enter at the lowest officer grade, receive training, and rise through the ranks over time based on promotion potential, and predetermined officer promotion selection windows based primarily upon time in service.<sup>5</sup> Leadership is selected and promoted from within the Army. The lack of lateral entry into the military is one of key points differentiating military service from the civilian sector.<sup>6</sup> It is also one of the reasons why the retention of junior and mid-grade officers is essential. A current snapshot of the ACC officer strengths by rank is reflected at the Army G1 chart on the right.<sup>7</sup> What is significant in this chart is that there are over 1000 existing field grade officer shortages

**ACC Officer Strength versus Requirements**



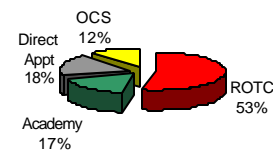
**FIGURE 2**

with the bulk of those being at the rank of major.<sup>8</sup> To some extent, abnormal or unusually high attrition of mid-grade officers (both captains and majors) can be ameliorated over time by accelerating the promotion pin- on-point of more junior officers.

Unfortunately, if the junior officer inventory is depleted faster than programmed, there is no readily available solution. As reflected below, the Army receives 70 percent of its annual officer accessions from the ROTC and the United States Military Academies where the majority of these officers are recruited, and trained in the military arts over a number of years while they are also earning their baccalaureate degree in advance of their actual commissioning date.<sup>9</sup>

Once commissioned, there is additional branch specific training that can take upwards of another year before the officer ever sees their first unit. Given this extended time horizon to recruit, educate and train junior officers, if large numbers separate prematurely this invariably results in a ripple effect in Army readiness. Year groups then remain short on personnel at each progressive level down the line resulting in continuous unit readiness

**Army AC Officer Production Mix**



**FIGURE 3**

shortfalls due to either grade and or specialty shortages. The end result of unchecked career attrition is analogous to what we saw in the early 1990's as a result of the drawdown where four year groups were intentionally under assessed in an effort to minimize the need to conduct a

reduction in force. This resulted in fewer officers available to meet the demand at the correct grade leaving critical positions unfilled or filled with less experienced officers. Consequently, selection rates far exceeded the norm as promotion boards were obligated to select proportionately greater numbers of fully qualified versus best qualified officers in order to meet minimum future requirements, and promotion pin-on dates were accelerated in an effort to “grow” officers earlier.<sup>10</sup>

Depending upon the grade and specialty, unprogrammed officer attrition can have a devastating effect on the Army, particularly in the technical, readily transferable skill sets such as information technology, engineering, military intelligence, and aviation. The lack of lateral entry coupled with the high demand from current operations exacerbates the problem as qualified officers are asked to do more and more. Given the Government Accounting Office (GAO) has fixed the cost of a graduating Army Military Academy cadet at \$349,327, retaining junior and mid-grade officers makes good financial sense for the Army.<sup>11</sup> (There is no cost data currently available from the U.S. Army Accession Command on the cost to produce an officer from either an ROTC or OCS program at this time.<sup>12</sup>) Now let’s look to the question -- is there an officer attrition problem in the Army?

#### OFFICER ATTRITION: WHAT DOES RECENT HISTORY TELL US?

The chart below reflects the historical ACC voluntary loss rates from fiscal year 1987 through fiscal year 2003 (minus the drawdown years) as reported by the Army G1.<sup>13</sup> The chart

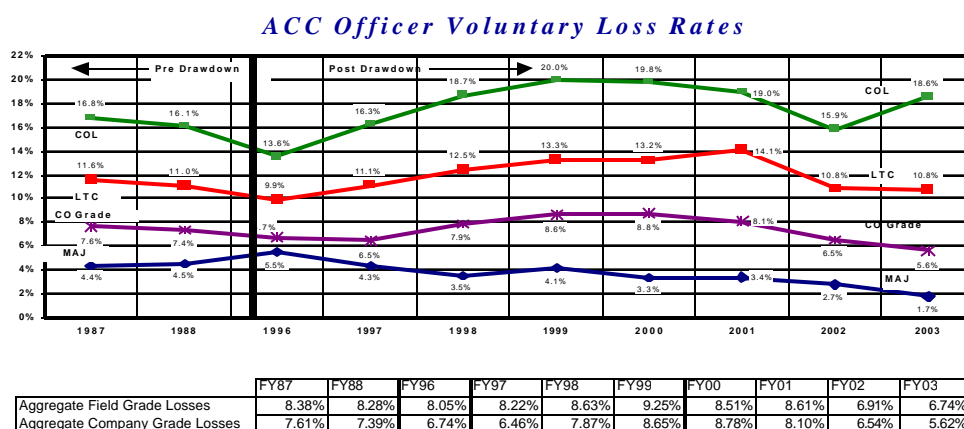


FIGURE 4

reflects two significant points relevant to the discussion of officer attrition. First, after the drawdown ended in the early 1990s, officer attrition remained on a significant upward trend from

1996 to 2000, in the company grade, lieutenant colonel and colonel categories. This trend reflects an increasing level of dissatisfaction in the Army that was captured by the Army Training and Leader Development Panel (ATDLP) Officer Study that will be discussed later in the paper. Second, since the events of 9/11, officer attrition actually went down in three of the four officer categories: company grade, major and lieutenant colonel. At first glance, the data would imply that the Army does not have an officer attrition problem. However, three variables factor into this equation that have not yet completely run their normal course.

First, since 9/11 there has been a tremendous resurgence of patriotism across the nation, and in the Army. The attacks against the homeland ignited the American military into action...the kind of action that many younger officers have spent years training for, but have not been able to demonstrate prowess at previously. As time passes, and officers begin to do repetitive tours in combat zones, the events of 9/11 will carry less and less weight in a leader's decision to remain in the military. Second, since 9/11, units scheduled to deploy in support of either OIF or OEF were physically precluded from allowing voluntary losses by virtue of the Army's Stop Loss policy. Although initially aimed at select enlisted and officer specialties, this policy was eventually expanded to preclude the voluntary separation of all personnel in any unit designated to deploy, and remains in effect today. With over 250,000 active duty military initially alerted to deploy in support of combat operations in Southwest Asia, the Army Stop Loss policy effectively locked down over 50 percent of the force.<sup>14</sup> Third, the attrition data above only goes through September 2003. In as much, those units that initially deployed in support of the OEF and OIF did not begin returning home until fiscal year 2004. Although officers in these units are no longer precluded from voluntary separation, it's simply too early to tell if officer attrition will be a significant factor in these units. In short, because the Army consists of professional "volunteers," most officers called to serve their Nation in combat did so, willingly and capably. The question that remains unanswered is will those same officers continue to serve repetitive tours in combat zones if called by the Nation? For an indication of that we will look at the historical evidence presented by recent key studies.

#### **WHAT DO THE STUDIES REFLECT?**

Numerous studies have been conducted over the years for the military evaluating the effectiveness of Army programs and their impact on retention. For the purposes of this paper the author will discuss four recent studies that have direct relevance to the question of retention in the military in the aftermath of the events of 9/11. These studies are the Army Training and Leader Development Panel (ATLDP) "Officer Study," 2001; the 9<sup>th</sup> Quadrennial Review of

Military Compensation (9<sup>th</sup> QRMC), 2001; RAND Research Brief, "How Does Deployment Affect Retention of Military Personnel," 2002; and the United States Army Research Institute for the Behavioral and Social Sciences (known as ARI), Survey Report "Career Intent Among Active Component Soldiers," 2004. It's important to note at the outset that both the ATLDP and the 9<sup>th</sup> QRMC were studies commissioned prior to the events of 9/11. Although initiated for separate and distinct reasons, the fundamental questions addressed by both are interrelated, and will be discussed in detail below.

#### ARMY TRAINING AND LEADER DEVELOPMENT PANEL (ATLDP) "OFFICER STUDY."

The ATLDP was chartered by General Eric C. Shinseki in June 2000, "to study training and leader development in light of Army Transformation and the new operational environment" and "to see what changes would provide the best leaders for our Army and the best Army for our Nation."<sup>15</sup> The commissioned officer portion of the study organized into four study groups made up of senior NCOs, and company and field grade officers serving throughout the Army that ultimately traveled around the world conducting personal interviews and unit surveys with more than 13,500 officers (mainly lieutenants, captains and majors) and their spouses.<sup>16</sup> What the ATLDP revealed is that junior and mid-grade officers felt passionately that Army practices were out of balance with Army beliefs.<sup>17</sup> Listed below is a synopsis of their concerns:

- Army culture is out of balance and outside their Band of Tolerance
- There is an undisciplined operational pace that affects every facet of Army life...too many short-term, back-to-back deployments and exercises, trying to do too much with available resources...this impacts predictability in our professional and personal lives and the lives of their families
- The Army expects more commitment from officers and their families than it currently provides
- The Army is not meeting the expectations of officer cohorts...Junior officers are not receiving adequate leader development experiences...many captains and majors do not perceive a reasonable assurance of a future...many retirement eligible lieutenant colonels and colonels do not feel valued for their experience and expertise
- There is diminishing direct contact between seniors and subordinates... this diminishing contact does not promote cohesion and inhibits trust<sup>18</sup>

These ATLDP findings spawned a period of change in the Army. When the ATLDP is taken in context with the findings and recommendations of the 9<sup>th</sup> QRMC discussed below, several positive changes occurred that not only improved Army culture, but directly impacted how the force is compensated.

## THE 9<sup>TH</sup> QUADRENNIAL REVIEW OF MILITARY COMPENSATION (9<sup>TH</sup> QRMCM).

Section 1008(b) of Title 37, United States Code provides that, “Whenever the President considers it appropriate, but in no event later than January 1, 1967, and not less than once each four years thereafter, he shall direct a complete review of the principles and concepts of the compensation systems for the members of the uniformed services.”<sup>19</sup> The 9<sup>th</sup> QRMCM was commissioned by President William J. Clinton on 20 July 1999, but was not completed until after the events of 9/11.<sup>20</sup> As a result of this, the findings and recommendations of the 9<sup>th</sup> QRMCM were keenly attuned to evolving world events that ultimately lead to direct military action in Afghanistan and Iraq. Consequently, the 9<sup>th</sup> QRMCM was instrumental in changing how the military was compensated. The 9<sup>th</sup> QRMCM recommended fundamental changes in how military and civilian pay are compared -- changes, which in turn point to the need for targeted pay adjustments to “fix basic pay.”<sup>21</sup> According to the 9<sup>th</sup> QRMCM regular military compensation (RMC) is a function of basic pay and allowances for subsistence and housing combined with the non-cash tax advantage from allowances not being taxable.<sup>22</sup> The 9<sup>th</sup> QRMCM recognized the inherent challenges of meeting manning requirements for officers in pay grades O3 and O4 due primarily to a combination of two factors: effects of a strong economy and reactions to frequency of deployments.<sup>23</sup> The 9<sup>th</sup> QRMCM went on to comment that “officer pay compares favorably with civilian pay (at about the 70<sup>th</sup> percentile) until about the 8<sup>th</sup> year of service, at which point it drops toward average civilian pay,” and continues to lag civilian earnings until the 16<sup>th</sup> year of service.<sup>24</sup> As a result of these findings the 9<sup>th</sup> QRMCM made the following observations and recommendations:

### Observations

- Recruiting and retention challenges are a result of both external and internal pressures. A sustained strong economy and changing private sector compensation practices along with changing missions and operational requirements create a complex environment for sustaining the All-Volunteer Force.
- This environment requires that military compensation and personnel policies become more flexible in order to meet emerging challenges.
- The uniform services are far more educated today than in the past, and traditional pay comparisons are no longer appropriate.

### Recommendations

- Raise basic pay for all O3s to improve the continuation rates of this group of officers.
- An additional increase for O4s would be appropriate to help stabilize and perhaps reverse the downward trend in O3 continuation rates between 6 and 9 years of service.



- Make greater use of existing continuation bonus authorities or special pays to provide additional earnings over a full career in those skills with low manning levels.<sup>25</sup>

In response to the findings and recommendations of the 9<sup>th</sup> QPMC, President George W. Bush signed on 28 December 2001 the largest basic pay raise in the previous 20 years which took effect on 1 January 2002, and averaged out as a 6.8 percent raise.<sup>26</sup> The main advantage of this pay raise was that it targeted pay increases into the pay grades that needed it the most with increases up to 15 percent for select pay grades.<sup>27</sup> One of the targeted groups that most benefited was mid-grade commissioned officers.<sup>28</sup> Subsequently, company grade and major attrition dropped significantly from fiscal year 2001 to 2002 -- company grade attrition fell from 8.1 to 6.5 percent and major attrition fell from 3.4 to 2.7 percent.<sup>29</sup> Although other variables such as the Army implementing Stop Loss across the deployed force certainly impacted attrition as well, these factors combined to reinforce a general conclusion drawn by the 9<sup>th</sup> QPMC that targeted pay increases do favorably impact attrition.<sup>30</sup>

Several general conclusions can be drawn from the findings, recommendations and subsequent actions taken as a result of the 9<sup>th</sup> QPMC. First, to better adapt to changing economic conditions, increasing demands on military personnel and the changing expectations of those employed in the profession of arms, the Department of Defense must continue to closely monitor active duty trends, and proactively respond to the needs of the military. Second, pay does matter and it has a direct impact on officer attrition. Third, targeted pay increases are more effective in stemming career attrition than across-the-board pay raises. Fourth, special incentive pays or bonuses may be required in targeting high demand low density skill sets above and beyond RMC.

#### RAND RESEARCH BRIEF "HOW DOES DEPLOYMENT AFFECT RETENTION OF MILITARY PERSONNEL."

This study was conducted at the request of the Assistant Secretary of Defense, Force Management Policy, and was intended to confirm the popular belief that an increase in operational tempo has a negative effect on personnel retention.<sup>31</sup> RAND's "approach for evaluating whether deployment is associated with changes in retention" was to review the pay records of Army, Navy, Marine and Air Force officers looking for those that had received either imminent danger pay (IDP) and or family separation allowance (FSA), calculate the number of deployments, categorize each deployment as either hostile or nonhostile, and then correlate this information to whether or not each officer remained on active duty beyond there ADSO.<sup>32</sup>

The period of time that officers received just IDP or IDP and FSA were counted as hostile deployments. The time periods where officers received just FSA were counted as nonhostile deployments. RAND reviewed pay records of officers from 1990 to 1999, and modeled two specific categories of officers: junior officers immediately after the expiration of their initial service obligation and mid-grade officers with between five and ten years of service.<sup>33</sup> Here is what RAND determined:

- There is a clear positive association between increasing amounts of nonhostile deployments and junior and mid-grade officer retention; officers who participate in more nonhostile deployments are retained at a higher rate in all services.
- Hostile deployment generally mitigates this positive effect but, in almost all cases examined, even those with some or all hostile deployment show higher retention rates than nondeployers.
- In the late 1990s, junior officers with higher amounts of hostile deployment are generally associated with lower retention rates compared with junior officers who had the same amount of nonhostile deployment.<sup>34</sup>

Although the RAND findings generally argue that both hostile and nonhostile deployments actually have a positive effect on junior and mid-grade officer retention, two variables not accounted for by RAND could possibly alter their findings. First, single officers that deployed to nonhostile areas are not eligible to draw FSA, for the simple reason that they do not have families. Second, FSA is only payable after 30 or more continuous days of deployment away from home station. Consequently, RAND missed a whole subset of officers that deployed to nonhostile areas, but were not accounted for in their data. Interestingly enough, RAND was also unable to discriminate nonhostile deployments from officer short tours to locations like Korea, Turkey and Johnston Atoll. Accordingly, officers with dependents serving unaccompanied tours in Korea were accounted for in the RAND data while officers without dependents were not. As a final disclaimer, while the RAND study attempted to quantify the affects of deployment on officer retention, their findings may still not translate well into the scenario facing officers today -- the likelihood of an indefinite war in Iraq requiring multiple deployments into a hostile environment. The RAND study looked at historical officer actions. Now let's turn to what officers are telling ARI in their recent survey results.

#### UNITED STATES ARMY RESEARCH INSTITUTE STUDY "CAREER INTENT AMONG ACTIVE COMPONENT SOLDIERS."

According to Dr. Morris Peterson, Chief, Army Personnel Survey Office, ARI, polls and surveys have provided invaluable data to Army leadership and policy makers by monitoring trends in soldier preferences and career plans to include evaluating the effectiveness and

acceptability of Army programs.<sup>35</sup> The ARI charter includes the specific responsibility for the systematic, recurring collection and analysis of the attitudes, opinions, perceptions, behaviors and characteristics of Army active component soldiers, and their dependent family members through the use of randomly generated survey's.<sup>36</sup> The first survey was used in December 1943 during World War II, and was called the Personnel Survey of the Army.<sup>37</sup> In 1958, the survey was renamed the Sample Survey of Military Personnel (SSMP), and has been in continuous use since then to include wartime.<sup>38</sup> Although initially established as a quarterly tool to "check the pulse" of the Army, the SSMP has evolved over time to essentially a semi-annual survey conducted every spring and fall. Since 1987, ARI has used the same officer survey questions and response options in its semi-annual survey to the field.<sup>39</sup> This format consistency has resulted in a high degree of correlation between responses from one survey to the next and has proved invaluable in allowing ARI to monitor trends in 58 different officer quality of life and job satisfaction related areas.<sup>40</sup>

In a January 2004 Survey Report to Army leadership, ARI compared Fall 2003 survey results to trend data previously collected. The Fall 2003 SSMP entitled, "Career Intent Among Active Component Soldiers," reflects 3,634 Active component officer responses out of 4,000 officer surveys randomly sent out or a 90.8 percent response rate. A brief synopsis of the survey results are provided below, by survey time period:

From 1996 to 2002 SSMP

- Approximately 60 percent of the Army officers surveyed indicated that they would "probably or definitely stay in until retirement," and
- Approximately 20 percent reported they would "probably or definitely leave upon completion of (their) present obligation."<sup>41</sup>

Fall 2003 SSMP

- Approximately 68 percent of the Army officers surveyed indicated that they would "probably or definitely stay in until retirement," and
- Approximately 18 percent reported they would "probably or definitely leave upon completion of (their) present obligation."<sup>42</sup>

While the data at first glance would appear to indicate a positive trend in officer retention propensity from 1996 to 2003, one key variable factors into the equation that clouds the validity of the results. Due to an Army leadership decision, the Fall 2003 SSMP did not include any survey responses from the units most operationally used in the past year -- those deployed in support of Operation Iraqi Freedom (OIF) or Operation Enduring Freedom (OEF).<sup>43</sup> Nor did the Fall 2003 SSMP include any responses from those units scheduled to deploy to backfill the units engaged in OIF and OEF.<sup>44</sup> Consequently, nearly 50 percent of the Active Army (approximately 130 thousand soldiers deployed and 110 thousand scheduled to deploy) were excluded from

this survey -- to include nine of the ten active component divisions. Although the sampling error of the Fall 2003 SSMP was very low at only plus or minus two percent, the mere fact that so much of the go-to-war Army was excluded from survey participation raises doubt with the degree of confidence that the results provided truly represent the beliefs and opinions of the entire officer corps.<sup>45</sup>

As an additional aspect of the Fall 2003 SSMP, ARI asked respondents to list the most important reasons "for thinking about or planning to leave the Active component Army before retirement."<sup>46</sup> Interesting enough, commissioned officers listed the following five principle reasons for career attrition in order of importance as follows:

1. Amount of time separated from family (26.2%)
2. Amount of enjoyment from my job (7.9%)
3. Amount of basic pay (6.7%)
4. Overall quality of life (6.0%)
5. Opportunity to select a job, training or station of choice (5.1%)<sup>47</sup>

Although the Fall 2003 SSMP results may not be entirely representative across the Army for the reasons previously discussed, it's important to note that over 25 percent of the remaining commissioned officers - albeit not currently deployed to OIF/OEF, or scheduled to deploy there - already perceive the "amount of time separated from family" as the most likely reason for their career attrition. This data point echoes what the Army previously discovered from the 2001 ATLDP officer study in that the amount of deployments across the Army is outside of the normal band of tolerance that officers are willing to accept. Also noteworthy, is the fact that basic pay rated as the third most likely reason for career attrition in the Fall 2003 SSMP even after the DoD efforts over the past several years to improve regular military compensation.

In order to gain a broader perspective on the most likely reasons for career attrition the author reviewed the results of 17 earlier ARI sample surveys dating back to 1992 and confirmed the number one reason listed by commissioned officers as the most likely reason for their career attrition in 16 out of the past 17 surveys was the "amount of time separated from the family."<sup>48</sup> Additionally, the "amount of basic pay" was listed as one of their top three concerns in 14 out of the past 17 surveys.<sup>49</sup> These findings suggest that the amount of time officers are separated from their family is clearly the most prominent concern of the commissioned officer corps, and that adequate compensation remains a fairly high concern as well. It would also seem to suggest that officer concerns have been fairly consistent over time, and that basic pay may be a fairly significant factor in officer retention as well. The question now becomes what has the Army done to manage career attrition, has it been effective, and what can the Army do in the future to gain momentum in officer retention?

## THE WAY AHEAD.

As a practical matter, the Army must be prepared to respond as directed by the President or the Secretary of Defense to serve the Nation. As stated in Field Manual 7-0 that is the Army's "non-negotiable contract" with the American people. Given the Nation is committed to the GWOT, how the Army executes that contract within the existing resource constrained, political environment of an election year remains to be seen. Ensuring the existing leadership stays "Army" is a difficult task during the best of times. Clearly, these are not the best of times. Although it would logically seem every opportunity to recognize and retain quality leaders would be a priority to an Army at war, the reality is personnel readiness is managed on a fairly small discretionary budget. In practical terms, every Army program that deals with personnel readiness must also address the financial consequences of supporting that program as well. In the President's fiscal year 2005 budget submission to Congress the military personnel account (MPA) is the single largest funding line in the Army's budget consisting of \$39.4 billion or 40 percent of the Army's \$98.5 billion total obligation authority.<sup>50</sup> However, within the MPA, approximately 96 percent of the funds are already committed to fixed costs associated with pay and allowances, health care and military retirements.<sup>51</sup> With little discretionary spending available, it's easy to see that manning the Army consists of managing priorities and trade offs with the Army G1 invariably trying to buy the most personnel readiness with the limited discretionary dollars available. More or greater personnel readiness in one category is typically purchased at the expense or risk of readiness in another personnel program.

That said, the Congress, the President and the DoD have done much in the last four years to raise regular military compensation levels to those commensurate with the civilian sector in an effort keep military service competitive. A listing of their collective efforts is provided below:

- 4.8 percent average pay raise in 2000 with pay table reform<sup>52</sup>
- 3.7 percent average pay raise in 2001<sup>53</sup>
- 6.8 percent average pay raise in 2002<sup>54</sup>
- 4.1 percent average pay raise in 2003<sup>55</sup>
- 4.15 percent average pay raise in 2004<sup>56</sup>
- Fiscal year (FY) 2005 and 2006 pay raises linked to one half percentage point above the Employment Cost Index (ECI)<sup>57</sup>
- FY2007 pay raises and beyond linked to an amount equal to the ECI<sup>58</sup>
- Restored retirement to 50 percent of base pay for 20 years by reversing the 1986 Military Retirement Reform Act (P.L. 99-348), commonly known as "Redux"<sup>59</sup>
- Phased-in concurrent receipt over a 10 year period to allow dual payments of Veterans Affairs compensation and retired pay to approximately 100,000 disabled retirees starting in 2004<sup>60</sup>
- Extended increase in imminent danger pay from \$150 to \$225 per month through 31 December 2004<sup>61</sup>

- Extended increase in family separation allowance pay from \$100 to \$250 per month through 31 December 2004<sup>62</sup>

The significance of these actions is that there was a clear intent by the Congress to raise military compensation under the belief that pay would improve retention. Clearly, the 9<sup>th</sup> QRMC and the ARI 2004 Survey Report link retention with pay. The question remaining is what can the Army do to help itself with officer retention? Given the competing demands across the Army, and the limited discretionary resources within the MPA, the Army G1 will be justifiably cautious in allocating scarce financial resources. The first step is to recognize and define the problem.

The looming officer concern is how will the Army retain the junior and mid-grade officers that are the most susceptible to career attrition, given the likelihood of repetitive tours to combat zones in Iraq. Ideally that question should be addressed by the Army before a precipitous drop in captain and major strengths occur. What options exist and what can the Army do to maintain the officer corps given the increasing operations tempo? One option is to simply increase the size of the officer accessions at the beginning of the equation. Another option - as pointed out by the 9<sup>th</sup> QRMC - is the greater use of special pays to target additional monies to the skill sets the Army wants to retain.

As an example of the latter, in January 1958, then President Dwight D. Eisenhower described an "Age of Terror" in his State of the Union address to the Nation.<sup>63</sup> In his speech, President Eisenhower conveyed to the American people that there were two principle tasks facing the nation: "First, ensure the safety of the Nation through strength; and second, do the constructive work of building a genuine peace."<sup>64</sup> Although the Korean War Armistice had been signed nearly five years earlier in July 1953 ending communist aggression on the Korean peninsula, the United States was in a different kind of war...the Cold War. The threat again was communism. However, this time the enemy was the Soviet Union, and Moscow was committed to the spread of communism across the globe. At the time, the Joint Chiefs of Staff reported that there was a vital need to increase the overall attractiveness of the military career as a profession, and that a program of long range incentives would be essential to that end.<sup>65</sup> The dilemma was the Services collectively needed to retain approximately 15,000 out of 40,000 officers completing their initial obligation of service, yet only 10,000 were willing to continue to serve.<sup>66</sup> The 85<sup>th</sup> Congress responded to the needs of the Services by creating a special pay provision called responsibility pay to aid with officer retention.<sup>67</sup>

## RESPONSIBILITY PAY: WHAT IS IT?

With that back-drop, Congress passed Public Law 85-422, on May 20, 1958. This law - more commonly referred to as the Uniformed Services Pay Act of 1958 (H.R. 11470) - established for the first time a special pay for a limited percentage of officers who held critical positions of unusual responsibility.<sup>68</sup> Specifically, Section 210 provided as follows:

- a. The Secretary concerned may designate positions of unusual responsibility which are of a critical nature to the service concerned, and is authorized to pay special pay, in addition to any other pay prescribed by law, to any officer of an armed force who is entitled to the basic pay grade O-3, O-4, O-5 or O-6 and is performing the duties of such a position, at a monthly rate as follows:

<i><b>Pay Grade</b></i>	<i><b>Monthly Rate</b></i>
<b>O-3</b>	<b><i>\$50.00</i></b>
<b>O-4</b>	<b><i>\$50.00</i></b>
<b>O-5</b>	<b><i>\$100.00</i></b>
<b>O-6</b>	<b><i>\$150.00</i></b>

FIGURE 5

The Secretary shall prescribe the criteria and circumstances under which officers of the armed forces under his jurisdiction are eligible for pay under this section and may, whenever he considers it necessary, abolish such special pay.

- b. Not more than 5 percent of the number of officers on active duty in any armed force in pay grade O-3, and not more than 10 percent of the number of officers on active duty in any armed force in any of pay grades O-4, O-5, or O-6, may receive special pay under this section.

- c. This section shall be administered under the regulations to be prescribed by the Secretary of Defense for the armed forces under his jurisdiction, and by the Secretary of the Treasury for the Coast Guard when the Coast Guard is not operating as a service in the Navy.

- d. This section does not apply to any person who is entitled to special pay under sections 203 of the Act.

- e. The Secretary of Defense shall report to the Congress by March 1 of each year on the administration of this section within each military department during the preceding calendar year. The Secretary of the Treasury shall make a similar report for the Coast Guard when the Coast Guard is not operating as a service in the Navy.<sup>69</sup>

## RESPONSIBILITY PAY: WHAT WAS CONGRESS' INTENT?

When initially debated in Congress, the Senate Armed Services Committee concluded "in the officer area, there is both a quantitative and qualitative shortage. Too few young officers are willing to serve beyond obligated service."<sup>70</sup> The intent of responsibility pay was to bolster officer retention and to assist the services in establishing a career force.<sup>71</sup> It was generally concluded that a fair compensation system would reduce personnel turnover and provide the needed manpower for the military departments.<sup>72</sup> This legislation gave the military departments the discretionary authority to issue responsibility pay much like a targeted pay raise. Given the latitude provided in the law, responsibility pay was clearly intended to augment the basic pay compensation system and assist in reducing career officer turnover.<sup>73</sup> When the law was passed in 1958, an Army captain with over 6 years of service made just \$440 in base pay. A \$50 responsibility pay equated to an 11.4 percent pay raise (50/440). For an Army major with over 12 years of service, a \$50 responsibility pay equated to a 9.1 percent pay raise (50/570). For an Army lieutenant colonel with over 18 years of service, a \$100 responsibility pay equated to a 13.9 percent pay raise (100/720). And for an Army colonel with over 22 years of service, a \$150 responsibility pay equated to 16.9 percent pay raise (150/910).

The Senate Armed Services Committee recommended responsibility pay applying the following logic:

- Under the present pay system, an officer's pay is determined principally by his rank. It is recognized that both the abilities and responsibilities of officers within a particular pay grade vary to a considerable degree.
- The changing nature and complexity of our weapons systems are creating demands for unusual responsibility in both staff and command assignments, or a combination of both. These responsibilities, in many cases, may be distinguishable from the bulk of others held by those in that rank.
- Neither the present pay system nor the promotion system adequately acknowledges this type individual...
- The changing nature of our military services is requiring greater leadership in the scientific fields as well as command leadership in the usual sense...<sup>74</sup>

Although initially authorized by Congress in 1958, responsibility pay would not be funded by the Services for years to come.



## **HOW HAS RESPONSIBILITY PAY BEEN USED IN DOD?**

The Vietnam War was the first time the DoD made limited use of responsibility pay. Army and Navy officers in Vietnam holding unique civil-military positions of senior province/district advisors or riverine forces advisors were paid responsibility pay in an attempt to induce them to voluntarily remain in these positions longer than the one year period of duty prescribed for a combat zone.<sup>75</sup> Subsequently, the Coast Guard began authorizing responsibility pay for officers commanding Coast Guard vessels effective July 1, 1973.<sup>76</sup> Beginning in fiscal year 1980, the Navy also authorized responsibility pay exclusively for those officers in command of a ship at sea, and entitled to wear the Command at Sea Pin.<sup>77</sup> More recently, the Air Force approved the use of responsibility pay beginning in fiscal year 2003 for select field grade officers in command of a squadron, group or wing.<sup>78</sup> While the Coast Guard, Navy and Air Force have elected to use responsibility pay in recognition of the unusual responsibilities of command, the Army and Marine Corps do not currently use responsibility pay.

## **HOW COULD RESPONSIBILITY PAY BE APPLIED?**

While responsibility pay is currently used by the other Services exclusively in the context of command, the Secretary of the Army already has the discretionary authority for its use “to designate positions of unusual responsibility which are of a critical nature to the service.” If the Army were to exercise the full authority authorized by law in pay grades O3 to O6, the annual cost to the Army would be just over \$3 million.<sup>79</sup> However, another option could be to use responsibility pay much like a targeted pay increase for those hard to retain grades and or skills. Unfortunately, by way of comparison, the dollar amounts of responsibility pay originally authorized by law are now monetarily insignificant as a function of a percentage of total base pay: a \$50 special pay for a captain in 2004 equates to a 1.2 percent pay increase now vice a 11.4 percent increase in 1958; a \$50 special pay for a major in 2004 equates to a 1 percent pay increase now vice a 9.1 percent increase in 1958; a \$100 special pay for a lieutenant colonel in 2004 equates to a 1.6 percent pay increase now vice a 13.9 percent increase in 1958; and a \$150 special pay a colonel in 2004 equates to a 1.9 percent pay increase now vice a 16.9 percent increase in 1958. Given Congress’ intent was to provide a tool to aid the Services with officer retention, perhaps it’s time to ask the Congress to revisit the restriction on the percentage eligible to receive it, as well as the pay caps that were imposed in 1958. Given today’s high stress, high operations tempo, the Army may well be in greater need now of responsibility pay, than in 1958 when it originated.

## **WHAT ARE THE STRATEGIC IMPLICATIONS.**

While one might ask what the Army is doing to retain America's sons and daughters in the military in light of the repetitive, and dangerous deployments; perhaps the more appropriate question is what is the Army doing to acquire the resources required to maintain its "non-negotiable contract" with the Nation? Officer attrition is manageable, but must be approached with a renewed commitment from the Army. Even the best led organizations with great command climates will likely face higher officer attrition rates if the operational pace of the Army continues unchecked. In the final analysis, the junior and mid-grade officer attrition problem can really only be dealt with in one of two practical ways: accept career attrition as a cost of doing business and consciously commission more officers at the front end of the equation to ensure enough remain to fill the requirements at the more senior grades by utilizing the Defense Officer Personnel Management Act (DOPMA) upward or out promotion system; or use and fund the programs that enable the Army to retain more of what is initially commissioned. While there is a price tag associated with both options, unintended consequences could also result.

First, in the case of the former, over assessing the officer inventory may degrade enlisted readiness by a corresponding amount as excess officers are applied against Army end strength limitations imposed by Congress. Second, the employment of excess lieutenants may become problematic itself as more officers now initially compete for the identical number of available, "documented" positions. This could result in lower job satisfaction and the rapid cycling of officers through highly sought after positions such as platoon leader and company commander; both of which were identified by the ATLDP Officer Study as leading causes for officer attrition. Third, the Army could perceive the forced attrition that will eventually result at the higher pay grades - as only the required numbers are promoted and retained, while the remaining officers may be asked to separate from the Army - as "breaking faith" with those that served. All three of these potential down sides could adversely impact on Army readiness as unintended consequences. On a positive note, society at large would generally benefit from this action as officers indoctrinated with Army values and proven leadership skills, are separated in greater numbers from the Army and returned to society.

In the case of the latter, the difficulty in retaining just the right number of officers in each cohort requires a degree of precision management that is difficult at best to achieve. The most complicated aspect is in knowing precisely how many resources to apply to achieve the desired outcome. The heart of the problem lies in the fact that the Army does not have a good mechanism for predicting behavior. Given the zero sum rule of constrained resources, too many resources applied to officer attrition likely results in too few resources available to apply to

enlisted retention concerns. The likely result is other short term readiness challenges will occur as resources are applied - in a series of trade offs - against officer retention programs. This lack of a leading indicator forces the Army to rely on historical studies and reports that sometimes contradict each other as discussed earlier. On a positive note, managing scarce resources is what the Army is expected to do. This "eye dropper management" will likely be viewed by the Congress as a good faith effort by the Army to make ends meet, and reinforce the Army's credibility in the future should the Service have to appeal to the Congress for additional total obligation authority in order to maintain a credible force.

While the Army exists to fight and win the Nation's wars, the ever-increasing demands placed on soldiers and their leaders - compounded by the volatile, uncertain, complex and ambiguous environments common place in the Army today - has the potential to result in increased career attrition if left unchecked. While the lagging indicators don't necessarily point to a significant officer attrition problem at this point, the Army does not have a good predictive or leading indicator to gauge the future. From a risk viewpoint, given the existing shortages of Army field grade officers, now is the time for the Army to mitigate future shortages. Expanding the use of special pays to proportionately reward the service of those who deploy into harms way may well provide a ready solution to enable the Army to retain America's sons and daughters.

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<sup>2</sup> Dennis Steele, "The Army – At War and Transforming," *AUSA Magazine*, December 2003, 49.

<sup>3</sup> Office of the Under Secretary of Defense for Personnel Readiness, *Report of the Ninth Quadrennial Review of Military Compensation* (Washington, D.C., 2001), 51. available from <<http://www.dod.mil/prhome/qrmc/>>; Internet; accessed 18 March 2004.

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<sup>5</sup> OUSD/P&R, 9<sup>th</sup> QPMC, 16.

<sup>6</sup> OUSD/P&R, 9<sup>th</sup> QPMC, 15.

<sup>7</sup> COL Patterson, Army G1 OPMD Briefing.

<sup>8</sup> COL Patterson, Army G1 OPMD Briefing.

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<sup>10</sup> COL Patterson, Army G1 OPMD Briefing.

<sup>11</sup> General Accounting Office, *DOD Needs to Enhance Performance Goals and Measures to Improve Oversight of Military Academies: Report to the Subcommittee on Defense, Committee on Appropriations, House of Representatives* (Washington, D.C.: U.S. General Accounting Office, September 2003), available from <<http://www.gao/cgi-bin/getrpt?gao-03-1000>>; Internet; accessed 18 Mar 2004.

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<sup>13</sup> COL Patterson, Army G1 OPMD Briefing.

<sup>14</sup> COL Kevin Badger, personnel knowledge as the Chief of Command Strength Branch, EPMD, PERSCOM from Apr 2002 to Jun 2003.

<sup>15</sup> LTG William M. Steele, "Training and Developing Army Leaders," *Military Review*, July-August 2001;1.

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<sup>17</sup> Army Training and Leader Development Panel, *Officer Study Report to the Army*, (Washington, D.C., 2001), 1. available from <<http://www.army.mil/features/atld/atld>>; Internet; accessed 16 February 2004.

<sup>18</sup> Ibid., 2.

<sup>19</sup> President of the United States William J. Clinton, "Ninth Quadrennial Review of Military Compensation," memorandum for The Secretary of Defense, Washington, D.C., 20 July 1999.

<sup>20</sup> Ibid.

<sup>21</sup> OUSD/P&R, 9<sup>th</sup> QRM, Executive Summary.

<sup>22</sup> OUSD/P&R, 9<sup>th</sup> QRM, 21.

<sup>23</sup> OUSD/P&R, 9<sup>th</sup> QRM, Executive Summary.

<sup>24</sup> OUSD/P&R, 9<sup>th</sup> QRM, Executive Summary.

<sup>25</sup> OUSD/P&R, 9<sup>th</sup> QRM, Executive Summary.

<sup>26</sup> Rod Powers, "Year of the Jackpot – Pay and Allowances Rise in 2002," available from <<http://usmilitary.about.com/library/weekly/aa010502a.htm>>; Internet; accessed 19 Mar 2004.

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

<sup>29</sup> COL Patterson, Army G1 OPMD Briefing.

<sup>30</sup> OUSD/P&R, 9<sup>th</sup> QRM, Executive Summary, 2001.

<sup>31</sup> Ronald D. Fricker, "The Effects of Perstempo on Officer Retention in the U.S. Military," available from <<http://www.rand.org/publications/mr/mr1556.htm>>; Internet; accessed 27 Mar 2004.

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<sup>33</sup> Ibid., Summary.

<sup>34</sup> Ibid., Summary.

<sup>35</sup> Morris Peterson, "Survey Results and Their Impact on Personnel Matters." Available from <[www.ari.army.mil](http://www.ari.army.mil)>; Internet; accessed 18 Mar 2004.

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<sup>37</sup> Ibid., 14.

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<sup>39</sup> Morris Peterson, <Peterson@ARI.army.mil>, "ARI Survey Report - Fall 2003 Sample Survey of Military Personnel, Career Intent Among Active Component," electronic mail message to Kevin Badger <kevin.badger@us.army.mil>, 18 Mar 2004.

<sup>40</sup> Ibid., 2.

<sup>41</sup> Ibid., 1.

<sup>42</sup> Ibid., 1.

<sup>43</sup> Ibid., 3.

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<sup>48</sup> Ibid.

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<sup>50</sup> Davis S. Welch, "The Army Resourcing Process and FY05 Amended Budget Overview," lecture, Carlisle Barracks, PA, U.S. Army War College, 27 February 2004, cited with permission of Colonel Welch.

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<sup>54</sup> Ibid.

<sup>55</sup> Rod Powers, "Your 2003 Military Pay and Benefits – FY 2003 Defense Authorization Act," 8 January 2003, available from <<http://usmilitary.about.com/library/weekly/aa073002a.htm>>; Internet; accessed 15 April 2004.

<sup>56</sup> Rod Powers, "The FY2004 Military Authorization Act," 5 January 2004, available from <<http://usmilitary.about.com/cs/moneymatters/a/2004payact.htm>>; Internet; accessed 4 March 2004.

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<sup>63</sup> Dwight D. Eisenhower, "State of the Union," January 1958; available from <<http://www.ukans.edu/carrie/docs/texts/dde1958.htm>>; Internet; accessed 14 February 2004.

<sup>64</sup> Ibid.

<sup>65</sup> *The Uniformed Services Pay Act of 1958*, Public Law 85-422, United States Code Congressional and Administrative News, 85<sup>th</sup> Cong., 2d sess., 1958 (St. Paul: West Publishing Co., 1958, vol.1, 2465.

<sup>66</sup> Ibid., 2465.

<sup>67</sup> Ibid., 154.

<sup>68</sup> Ibid., 154.

<sup>69</sup> Ibid., 154.

<sup>70</sup> Ibid., 2466.

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<sup>72</sup> Ibid., 2465.

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<sup>74</sup> Ibid., 2471.

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